招商局置地有限公司
CHINA MERCHANTS LAND LIMITED

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of China Merchants Land Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** **RMB'000**	2017 *RMB'000*
Revenue	*3*	**11,955,899**	17,310,562
Cost of sales		**(7,967,879)**	(11,604,104)
Gross profit		**3,988,020**	5,706,458
Other income	*5*	**289,246**	198,341
Net foreign exchange (losses) gains		**(143,582)**	198,625
Selling and marketing expenses		**(348,037)**	(323,972)
Administrative expenses		**(162,740)**	(140,611)
Fair value losses on derivative financial instruments		**(27,696)**	(13,983)
Fair value loss of financial asset at fair value through profit or loss		**(2,039)**	–
Share of profits of associates		**326,002**	137,379
Share of profits of joint ventures		**386,509**	1,139
Gain on deemed disposal of joint ventures		**–**	1,031
Gain on disposal of subsidiaries		**1,818**	–
Finance costs	*6*	**(511,180)**	(462,929)
Profit before tax	*8*	**3,796,321**	5,301,478
Income tax expense	*7*	**(1,590,809)**	(2,362,495)
Profit for the year		**2,205,512**	2,938,983

	NOTE	**2018** **RMB'000**	2017 RMB'000
Other comprehensive income (expense), net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**10,342**	(24,365)
Total comprehensive income for the year		**2,215,854**	2,914,618
Profit for the year attributable to:			
Owners of the Company		**1,216,132**	1,638,124
Non-controlling interests		**989,380**	1,300,859
		2,205,512	2,938,983
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,226,474**	1,613,759
Non-controlling interests		**989,380**	1,300,859
		2,215,854	2,914,618
Earnings per share	*10*		
Basic (RMB cents)		**24.79**	33.40
Diluted (RMB cents)		**24.74**	30.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		At 31 December	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**222,947**	136,888
Investment properties		**2,571,070**	1,183,563
Goodwill		**160,210**	160,210
Interests in associates		**711,547**	330,364
Interests in joint ventures		**3,761,580**	1,453,514
Available-for-sale investment		**–**	18,750
Financial asset at fair value through profit or loss		**16,711**	–
Other receivables		**5,608,301**	–
Deferred tax assets		**741,121**	670,831
		13,793,487	3,954,120
CURRENT ASSETS			
Properties for sale		**41,163,479**	33,293,771
Deposits paid for acquisitions of land use rights		**290,228**	1,115,000
Trade and other receivables	*11*	**8,425,494**	13,696,169
Contract costs		**75,625**	–
Prepaid income tax		**656,091**	574,306
Derivative component of convertible bonds		**–**	83,254
Bank balances and cash		**6,866,261**	5,100,692
		57,477,178	53,863,192
CURRENT LIABILITIES			
Contract liabilities		**14,886,338**	–
Deposits received in respect of pre-sale of properties		**–**	7,272,992
Trade and other payables	*12*	**11,015,791**	10,101,649
Loans from non-controlling interests		**1,408,924**	2,591,329
Loans from an intermediate holding company		**3,287,611**	1,487,606
Bank and other borrowings		**1,095,980**	1,773,095
Bonds payable		**–**	3,231,826
Income tax payable		**2,743,268**	3,127,799
Convertible bonds		**–**	1,691,604
Derivative component of convertible bonds		**–**	55,892
		34,437,912	31,333,792
NET CURRENT ASSETS		**23,039,266**	22,529,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,832,753**	26,483,520

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Loans from non-controlling interests	**4,936,731**	2,480,066
Loan from an intermediate holding company	**200,000**	–
Bank and other borrowings	**5,818,890**	1,977,934
Bonds payable	**1,900,000**	–
Deferred tax liabilities	**180,104**	254,294
	13,035,725	4,712,294
NET ASSETS	**23,797,028**	21,771,226
CAPITAL AND RESERVES		
Share capital	**39,132**	39,132
Reserves	**8,078,761**	7,375,466
Equity attributable to owners of the Company	**8,117,893**	7,414,598
Non-controlling interests	**15,679,135**	14,356,628
TOTAL EQUITY	**23,797,028**	21,771,226

NOTES:

1. GENERAL

China Merchants Land Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") is incorporated in the Cayman Islands as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are investment holding and property development.

The Company's immediate holding company is Success Well, a limited liability company incorporated in the British Virgin Islands. One of its intermediate holding company is China Merchants Shekou Industrial Zone Holding Co., Ltd., which is established in the People's Republic of China (the "PRC") and listed on the Shenzhen Stock Exchange Limited. The ultimate holding company of the Company is China Merchants Group Limited ("CMG"). CMG is a PRC enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council and is owned and controlled by the PRC government.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 has superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the HKFRS 15 retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- sales of properties for sale;
- properties operation income; and
- rental income (not within the scope of HKFRS 15)

Summary of effects arising from initial application of HKFRS 15

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current year and the retained profits at 1 January 2018.

The table below illustrates the reclassification of deposits received in respect of pre-sale of properties to contract liabilities under HKFRS 15 at the date of initial application, 1 January 2018.

	Deposits received in respect of pre-sale of properties	**Contract liabilities**
	RMB'000	*RMB'000*
Closing balance at 31 December 2017 (previously reported)	7,272,992	–
Reclassification	(7,272,992)	7,272,992
Opening balance at 1 January 2018 (under HKFRS 15)	–	7,272,992

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Reclassification	Amount without application of HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Deposits received in respect of pre-sale of properties	–	14,886,338	14,886,338
Contract liabilities	14,886,338	(14,886,338)	–

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in the consolidated financial statements.

Impacts on HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities at the date of initial application, 1 January 2018.

	Available-for-sale investment *RMB'000*	**Financial asset at FVTPL required by HKFRS 9** *RMB'000*
Closing balance at 31 December 2017 – HKAS 39 (previously reported)	18,750	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investment *(Note)*	(18,750)	18,750
Opening balance at 1 January 2018 (under HKFRS 9)	–	18,750

Note:

At the date of initial application of HKFRS 9, the Group's equity investment of RMB18,750,000 were reclassified from available-for-sale investment to financial asset at fair value through profit or loss ("FVTPL"). Directors of the Company anticipated that the fair value gains/losses relating to that equity investment previously carried at cost less impairment was not material and no adjustment was made to retained profits as at 1 January 2018.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost, which mainly comprise of pledged bank deposits, bank balances and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets in the current year and retained profits at 1 January 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

	31 December 2017 (Audited)	**HKFRS 15**	**HKFRS 9**	**1 January 2018 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Available-for-sale investment	18,750	–	(18,750)	–
Financial asset at FVTPL	–	–	18,750	18,750
Others with no adjustments	3,935,370	–	–	3,935,370
	3,954,120	–	–	3,954,120
Current assets				
Others with no adjustments	53,863,192	–	–	53,863,192
Current liabilities				
Deposits received in respect of pre-sale of properties	7,272,992	(7,272,992)	–	–
Contract liabilities	–	7,272,992	–	7,272,992
Others with no adjustments	24,060,800	–	–	24,060,800
	31,333,792	–	–	31,333,792
Non-current liabilities				
Others with no adjustments	4,712,294	–	–	4,712,294
	21,771,226	–	–	21,771,226
Capital and reserves				
Share capital	39,132	–	–	39,132
Reserves	7,375,466	–	–	7,375,466
Equity attributable to owners of the Company	7,414,598	–	–	7,414,598
Non-controlling interests	14,356,628	–	–	14,356,628
Total equity	21,771,226	–	–	21,771,226

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB349,320,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. REVENUE

An analysis of the Group's revenue by major products and service categories for the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
By types of goods or services		
Sales of properties for sale	**11,768,295**	17,215,170
Properties operation income	**33,691**	9,274
Rental income from investment properties	**153,913**	86,118
	11,955,899	17,310,562

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments", which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision makers ("CODM") for allocating resources to segments and assessing their performance. The CODM is the Company's executive directors.

For the management purpose, the Group is currently organised into the following two operating and reportable segments: (i) Development and sales of properties and property leasing ("Properties Segment"); and (ii) sales of electronic and electrical related products and building related materials and equipment ("Trading Segment"), each of which is considered as a separate operating segment by the CODM.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Trading Segment	**Properties Segment**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2018			
Segment revenue			
– external customers	**–**	**11,955,899**	**11,955,899**
Segment results	**–**	**4,372,678**	**4,372,678**
Net foreign exchange losses			**(143,575)**
Unallocated income			**6,177**
Fair value losses on derivative financial instruments			**(27,696)**
Unallocated expenses			**(35,114)**
Unallocated finance costs			**(376,149)**
Profit before tax			**3,796,321**

	Trading Segment *RMB'000*	Properties Segment *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2017			
Segment revenue			
– external customers	–	17,310,562	17,310,562
Segment results	–	5,396,118	5,396,118
Net foreign exchange gains			198,638
Unallocated income			40,425
Fair value losses on derivative financial instruments			(13,983)
Unallocated expenses			(35,909)
Unallocated finance costs			(283,811)
Profit before tax			5,301,478

There were no inter-segment sales for the years ended 31 December 2018 and 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit generated by each segment without allocation of unallocated corporate costs, fair value loss on derivative financial instruments, net of certain finance costs, certain interest income and certain net foreign exchange losses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Trading Segment *RMB'000*	Properties Segment *RMB'000*	Consolidated *RMB'000*
As at 31 December 2018			
Segment assets	**–**	**70,415,255**	**70,415,255**
Goodwill			**160,210**
Other unallocated assets			**695,200**
Total assets			**71,270,665**
Segment liabilities	**–**	**35,516,531**	**35,516,531**
Other unallocated liabilities			**11,957,106**
Total liabilities			**47,473,637**

	Trading Segment *RMB'000*	Properties Segment *RMB'000*	Consolidated *RMB'000*
As at 31 December 2017			
Segment assets	–	56,886,277	56,886,277
Goodwill			160,210
Other unallocated assets			770,825
Total assets			57,817,312
Segment liabilities	–	25,829,938	25,829,938
Other unallocated liabilities			10,216,148
Total liabilities			36,046,086

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets, other than derivative component of convertible bonds, goodwill and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds payable, loans from intermediate holding company of the investment holding companies, liability component of convertible bonds, derivative component of convertible bonds, and bank and other borrowings of the investment holding companies, are allocated to reportable and operating segments.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets.

	Trading Segment *RMB'000*	Properties Segment *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2018			
Addition to non-current assets *(Note)*	**–**	**2,139,752**	**2,139,752**
Interest income	**–**	**272,277**	**272,277**
Depreciation of property, plant and equipment	**–**	**17,249**	**17,249**
Depreciation of investment properties	**–**	**47,381**	**47,381**

	Trading Segment *RMB'000*	Properties Segment *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2017			
Addition to non-current assets *(Note)*	–	1,880,568	1,880,568
Interest income	–	132,641	132,641
Depreciation of property, plant and equipment	–	10,795	10,795
Depreciation of investment properties	–	38,764	38,764

Note: Non-current assets exclude deferred tax assets.

The Group's revenue from external customers is derived from the PRC including Hong Kong. No single customer of the Group contributed 10% or more to the Group's revenue for the years ended 31 December 2018 and 2017.

Substantially all of the Group's non-current assets, excluding deferred tax assets, are located in the PRC.

Geographical information

The Group's Properties Segment is located in Foshan, Guangzhou, Nanjing and Jurong, Chongqing, Xi'an and Hong Kong.

Information about the revenue from external customers of Properties Segment and the assets of Properties Segment is presented based on the location of the assets.

	Revenue from external customers		Segment assets	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Foshan	**3,928,201**	3,872,741	**15,210,485**	16,674,902
Guangzhou	**1,359,500**	3,186,358	**7,870,838**	7,964,597
Nanjing and Jurong	**2,579,408**	5,663,082	**24,564,880**	16,809,335
Chongqing	**3,880,841**	3,075,552	**18,674,530**	14,063,967
Xi'an	**178,720**	1,500,513	**2,237,141**	951,128
Hong Kong	**29,229**	12,316	**1,857,381**	422,348
	11,955,899	17,310,562	**70,415,255**	56,886,277

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Bank interest income	**39,543**	44,506
Interest income from associates	**30,205**	76,714
Interest income from joint ventures	**95,829**	51,846
Interest income from third parties *(Note)*	**85,593**	–
Gain on disposal of investment properties	**–**	10,393
Others	**38,076**	14,882
	289,246	198,341

Note: The amount represented interest income of RMB85,593,000 which arose from the advances to two third parties for acquisitions of equity interests in their subsidiaries. The acquisitions have subsequently been cancelled and the advances have been repaid from the third parties during the year ended 31 December 2018.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on:		
– bank and other borrowings	**280,511**	258,720
– loans from an intermediate holding company	**157,861**	95,161
– loans from non-controlling interests	**250,436**	224,562
– bonds	**170,764**	163,784
– convertible bonds	**67,326**	88,655
Total borrowing costs	**926,898**	830,882
Less: amounts capitalised in the cost of qualifying assets	**(415,718)**	(367,953)
	511,180	462,929

Borrowing costs capitalised to properties under development for sale were determined by the contractual interest rates of respective borrowings.

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
The income tax expenses (credits) comprise of:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**1,001,774**	1,257,661
– Under (over) provision in prior year	**11**	(2,498)
Land appreciation tax ("LAT")	**733,504**	1,168,684
	1,735,289	2,423,847
Deferred tax	**(144,480)**	(61,352)
	1,590,809	2,362,495

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of the subsidiaries incorporated in the PRC is 25%. Further, 5% or 10% withholding income tax is generally imposed on dividends relating to profits earned by the PRC entities that are owned by non-PRC entities within the Group.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less estimated deductible expenditure including cost of land use right and all relevant property development expenditures.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong for the years ended 31 December 2018 and 2017.

8. PROFIT BEFORE TAX

	2018	2017
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' remuneration):		
Salaries and other allowances	**341,402**	302,235
Pension scheme contributions	**26,538**	18,945
Total staff costs	**367,940**	321,180
Less: Amount capitalised to properties under development for sale	**(208,797)**	(178,049)
	159,143	143,131
Gross rental income from investment properties	**(153,913)**	(86,118)
Less: Direct operating expenses incurred	**204,540**	88,569
	50,627	2,451
Cost of properties for sale recognised as an expense	**7,763,339**	11,515,535
Depreciation of investment properties	**47,381**	38,764
Depreciation of property, plant and equipment	**17,249**	10,795
Auditor's remuneration	**3,783**	3,842
Impairment loss on properties for sale	**419,650**	–
Loss on disposal of property, plant and equipment	**9**	156

9. DIVIDENDS

During the year ended 31 December 2018, a final dividend of Hong Kong dollars HK$0.1 per ordinary share in respect of the year ended 31 December 2017 (2017: HK$0.045 per ordinary share in respect of the year ended 31 December 2016) was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from share premium of the Company during the year amounted to approximately RMB401,004,000 (2017: RMB195,970,000).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK$0.08 (equivalent to approximately RMB0.07) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earning for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company	**1,216,132**	1,638,124
Effect of dilutive potential ordinary shares:		
– Fair value changes on convertible bonds	**27,696**	13,983
– Interest on convertible bonds	**67,326**	88,655
Earnings for the purpose of diluted earnings per share	**1,311,154**	1,740,762

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,905,257,860**	4,905,257,860
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**393,696,134**	780,976,042
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,298,953,994**	5,686,233,902
Basic earnings per share (RMB cents)	**24.79**	33.40
Diluted earnings per share (RMB cents)	**24.74**	30.61

11. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**2,386**	5,550

The Group's credit terms with its trade customers are generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk.

Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 60 days from the date of agreement.

The ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
180 days or less	**1,678**	4,809
181 days to 365 days	**5**	38
Over 365 days	**703**	703
	2,386	5,550

12. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**4,294,917**	4,562,561

Trade payables arise from Properties Segment comprise construction costs and other project-related expenses which are payable based on project progress and the average credit period of these trade payables is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an ageing analysis of trade payables, based on the invoice date, at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**1,434,640**	2,223,239
61 to 180 days	**319,582**	949,020
181 to 365 days	**1,546,752**	574,129
Over 365 days	**993,943**	816,173
	4,294,917	4,562,561

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.08 (equivalent to approximately RMB0.07) per share in respect of the year ended 31 December 2018 (31 December 2017: HK$0.1 (equivalent to approximately RMB0.08)) per share, representing a total payment of approximately HK$392,421,000 (equivalent to approximately RMB334,994,000). Subject to the passing of the relevant resolution at the annual general meeting (the "Annual General Meeting") of the Company to be held on Wednesday, 24 April 2019, the final dividend will be paid on or about 3 June 2019 to shareholders whose names appear on the register of members of the Company on 10 May 2019.

For the purpose of ascertaining the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 9 May 2019 to 10 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 8 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the global economy failed to maintain last year's growth momentum and the economy experienced a slowdown. The highly-complicated international environment and the continued warming of US trade protection pressurized exports due to the initiation of trade war around the world, of which the Sino-US trade dispute is the tensest. In addition, the latest Brexit proposal of Britain has been vetoed, hard Brexit will cause uncertainties on the outlook of Britain and Europe. Plagued by various uncertainties, the stock market experienced substantial fluctuation in 2018 and has the worst performance since the financial crisis. Major indices of various nations have recorded declines and the market atmosphere and performance is less optimistic. With regards to the monetary market, due to the tightened monetary policies of tvhe United States and the interest rate hikes, various currencies have depreciated and led to capital outflow. In 2018, China is confronted with complicated internal and external situations, while being affected by uncertainties the supply-side structural reforms were further implemented continuously and efforts on reforms and open policy were intensified. The gross domestic product grew by 6.6% during the year, which fulfilled the forecasted development targets in general.

Being one of the pillars of domestic economic growth, the overall sales volume of China's property industry in 2018 enjoyed a stable growth. In 2018, the central government adhered to the stable progress as the overall tone and continued to follow the principle of "Houses are built for residence, not for speculation". Different policies have been imposed in different regional governments and adjustment policies were frequently promulgated to stabilise the price for houses, resulting in the slowdown of the growth in commercial houses during the year. As indicated by the information of National Bureau of Statistics, the area of commercial houses sold reached 1.717 billion sq.m., which achieved a year-on-year growth of 1.3%. The sales of commercial houses reached RMB15 trillion, which achieved a year-on-year increase of 12.2%.

FINANCIAL REVIEW

For the year of 2018, profit amounted to RMB2,205,512,000 (2017: RMB2,938,983,000), representing a decrease of approximately 25% as compared with that of last year. The profit attributable to the owners of the Company was RMB1,216,132,000 (2017: RMB1,638,124,000), representing a decrease of approximately 26% as compared with that of last year. Basic earnings per share was RMB24.79 cents (2017: RMB33.40 cents), representing a decrease of approximately 26% as compared with that of last year.

Equity attributable to owners of the Company was RMB8,117,893,000 as at 31 December 2018 (2017: RMB7,414,598,000), representing an increase of approximately 9% as compared with that as at the end of last year.

The Group together with its associate and joint ventures, achieved aggregate contracted sales of RMB34,431,766,000 (2017: RMB24,156,757,000), representing an increase of approximately 43% over that of last year. Aggregate contracted sales area was 1,741,931 sq.m. (2017: 1,382,636 sq.m.), representing an increase of approximately 26% as compared with that of last year. The average selling price was approximately RMB19,766 per sq.m. (2017: RMB17,472 per sq.m.), representing an increase of approximately 13% as compared with that of last year.

TURNOVER

For 2018, the Group recorded turnover of RMB11,955,899,000 (2017: RMB17,310,562,000), representing a decrease of approximately 31% as compared with that of last year. The decrease was mainly due to the decrease of total gross floor area completed and delivered during the year of 2018. For the year of 2018, projects in Foshan, Guangzhou, Chongqing, Nanjing and Jurong and Xi'an accounted for approximately 33%, 12%, 32%, 22%, and 1%, respectively, of the total revenue of the Group.

GROSS PROFIT

Gross profit amounted to RMB3,988,020,000 (2017: RMB5,706,458,000), representing a decrease of approximately 30% as compared with that of last year. The decrease in gross profit was mainly due to the decrease in the total gross floor area completed and delivered during the year of 2018. The gross profit margin was approximately 33% (2017: 33%), which was at previous year's level.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates was RMB326,002,000 (2017: RMB137,379,000), representing a year-on-year increase of approximately 137%, which were attributable to the completion of the projects by Gezhouba Nanjing Property Company Limited* (葛洲壩南京置業有限公司) and Guangzhou Liansen Real Estate Company Limited (廣州聯森房地產有限公司), our associates, in 2018 and carrying forward of the revenue thereof.

SHARE OF PROFITS OF JOINT VENTURES

Share of profits of joint ventures was RMB386,509,000 (2017: RMB1,139,000), representing a year-on-year increase of approximately 33,834%, which was attributable to the completion of a project by Nanjing Zhaoyang Real Estate Development Company Limited (南京招陽房地產開發有限公司), our joint venture, in 2018 and carrying forward of the revenue thereof.

FINANCE COSTS

In June 2015, the Company's direct wholly-owned subsidiary completed the issuance of a guaranteed convertible bonds due in June 2020 (credit enhanced until July 2018) in the aggregate principal amount of US$290,000,000 bearing coupon rate at 0.50% per annum. The Company redeemed part of the bonds at the principal amount of US$269,800,000 on 23 June 2018 and all of the outstanding bonds at the principal amount of US$20,200,000 on 27 September 2018.

In December 2013, the Company issued a five-year term credit enhanced bonds in an aggregate principal amount of US$500,000,000 bearing coupon rate of 4.021% per annum. The Company has redeemed all of the bonds at the principal amount of US$500,000,000 on 11 December 2018.

Total amount of interest of the convertible bonds and bonds amounted to approximately RMB159,032,000 (2017: RMB135,788,000) was recognised in the finance costs for the year of 2018.

NET FOREIGN EXCHANGE LOSSES

Exchange losses were noted for the year ended 31 December 2018. The exchange losses recorded during the year of 2018 were mainly due to the depreciation of RMB against United States Dollars.

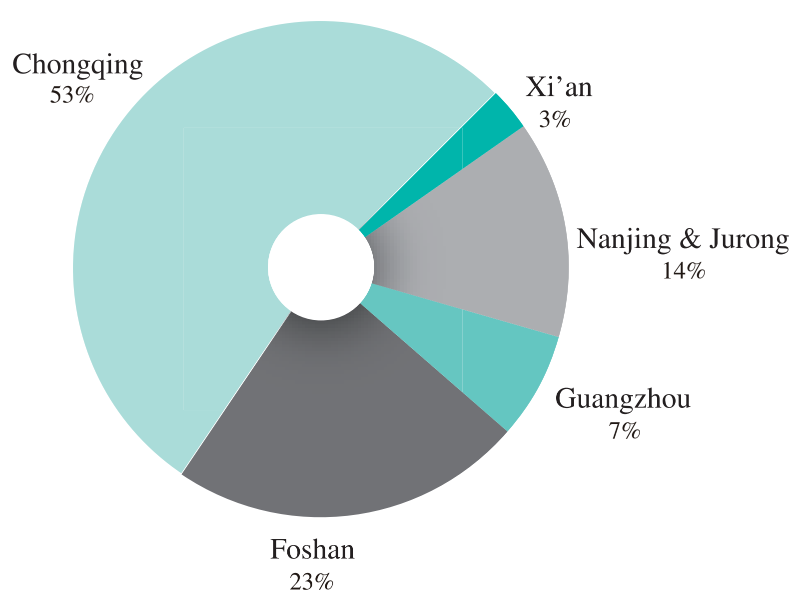
BUSINESS REVIEW

Property Development Business

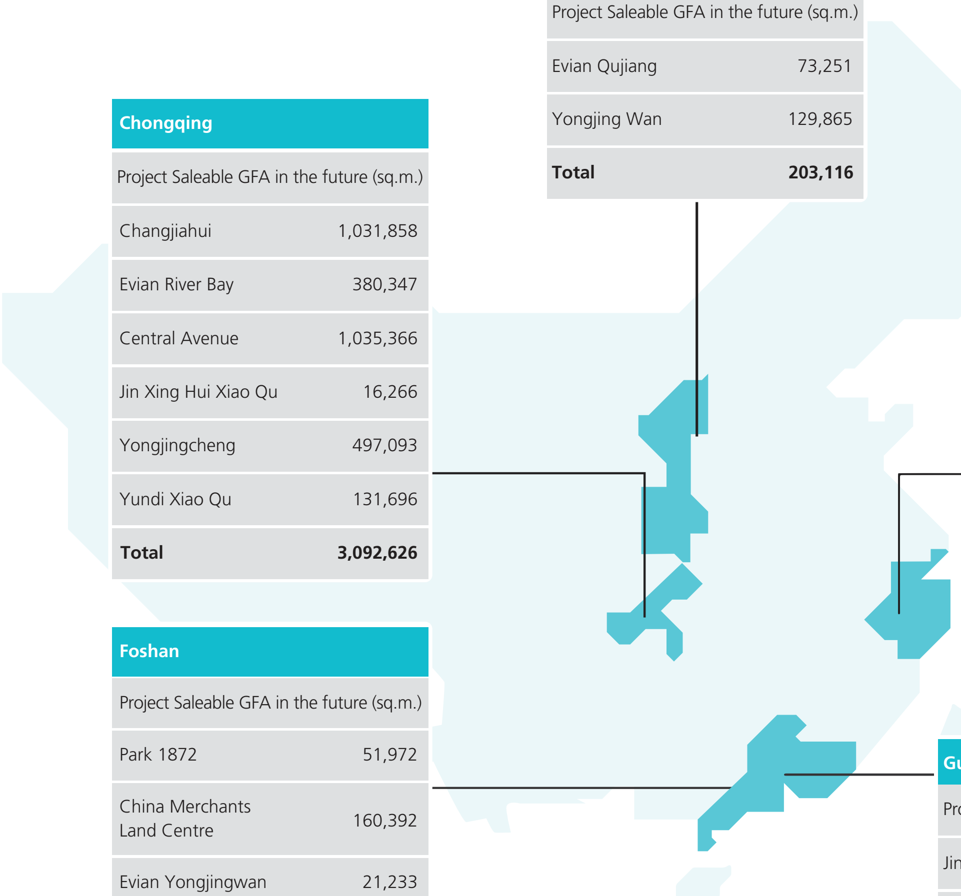
As at 31 December 2018, the Group's portfolio of property development projects consisted of 29 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, villas, offices and retail shops, etc.

Below are the breakdown of land bank by cities and a map showing the geographical locations and the land bank of the projects of the Group in the PRC. The saleable gross floor area ("GFA") of the properties comprising the projects which had not been sold or pre-sold as at 31 December 2018 ("Land Bank") was 5,867,015 sq.m..

Land Bank by cities



A map showing the geographical location and land bank of the projects of the Group in the PRC as at 31 December 2018



Chongqing	
Project	Saleable GFA in the future (sq.m.)
Changjiahui	1,031,858
Evian River Bay	380,347
Central Avenue	1,035,366
Jin Xing Hui Xiao Qu	16,266
Yongjingcheng	497,093
Yundi Xiao Qu	131,696
Total	**3,092,626**

Xi'an	
Project	Saleable GFA in the future (sq.m.)
Evian Qujiang	73,251
Yongjing Wan	129,865
Total	**203,116**

Nanjing and Jurong	
Project	Saleable GFA in the future (sq.m.)
Zijinshan No.1	47,507
Dongwangfu	192,730
Yongningfu	265,149
Evian Huafu	104,788
The Orchid Ravine	11,190
Century Taoyuan	67,317
China Merchants International E City	123,161
Total	**811,842**

Foshan	
Project	Saleable GFA in the future (sq.m.)
Park 1872	51,972
China Merchants Land Centre	160,392
Evian Yongjingwan	21,233
Evian Huafu	18,743
Evian Gongguan	23,434
China Merchants Zhenyuan	15,911
China Merchants Xi'an	190,611
China Merchants Yuefu	297,964
China Merchants Yueyuan	282,107
China Merchants Xiyuan	100,179
China Merchants Anzhitinglan	171,144
Total	**1,333,689**

Guangzhou	
Project	Saleable GFA in the future (sq.m.)
Jinshan Valley	233,913
Huambo	1,127
Zhaoshang Yongjing Wan (formerly known as "Sino-Singapore Guangzhou Knowledge City")	190,702
Total	**425,742**

The table below shows the details of the Group's property development projects as at 31 December 2018 which (i) had been completed, (ii) were under development, or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

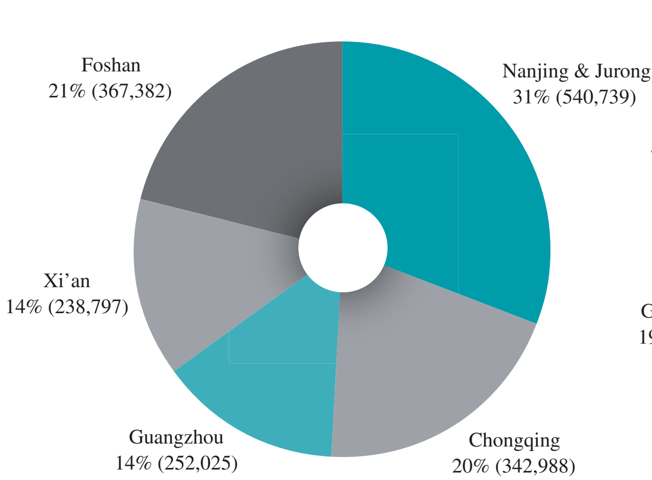
				Completed					Under development			Future development	
Project	The Company's attributable interest in the projects	Total GFA	Future Total GFA Saleable	GFA completed	Total GFA saleable/ rentable	Of which sold and delivered	Of which sold but not yet delivered	Of which not pre-sold/ held for investment	GFA under development	Total GFA saleable/ rentable	Of which sold	GFA	Total GFA saleable/ rentable
Evian Tianhui	50%	293,503	–	293,503	272,364	271,906	458	–	–	–	–	–	–
Evian Xicheng	50%	438,393	–	438,393	398,707	393,074	5,633	–	–	–	–	–	–
Park 1872	100%	308,694	51,972	308,694	270,406	151,225	67,209	51,972	–	–	–	–	–
China Merchants Land Center	51%	222,684	160,392	222,684	196,303	27,416	8,495	160,392	–	–	–	–	–
Evian Yongjingwan	50%	233,852	21,233	233,852	210,904	179,094	10,577	21,233	–	–	–	–	–
Evian Huafu	50%	383,025	18,742	383,025	358,313	338,510	1,061	18,742	–	–	–	–	–
Evian Gongguan	55%	317,111	23,434	317,111	297,218	268,298	5,486	23,434	–	–	–	–	–
China Merchants Zhenyuan	50%	133,683	15,911	133,683	125,671	84,406	25,354	15,911	–	–	–	–	–
China Merchants Xi'an	60%	229,050	190,611	25,256	24,401	–	–	24,401	203,794	185,769	19,559	–	–
China Merchants Yuefu	50%	326,045	297,964	–	–	–	–	–	231,058	216,070	5,444	94,987	87,338
China Merchants Yueyuan	50%	313,768	282,107	–	–	–	–	–	182,510	162,200	2,853	131,258	122,760
China Merchants Xiyuan	100%	128,836	100,179	–	–	–	–	–	128,836	122,537	22,358	–	–
China Merchants Anzhitinglan	100%	180,722	171,144	–	–	–	–	–	42,389	38,578	–	138,333	132,566
Foshan subtotal		3,509,366	1,333,689	2,356,201	2,154,287	1,713,929	124,273	316,085	788,587	725,154	50,214	364,578	342,664
Jinshan Valley	100%	1,286,839	233,913	1,210,788	1,017,792	812,261	30,879	174,652	76,051	59,261	–	–	–
Huambo	51%	126,202	1,127	126,202	104,216	103,089	–	1,127	–	–	–	–	–
Zhaoshang Yongjing Wan	60%	392,674	190,702	–	–	–	–	–	392,674	287,229	96,527	–	–
Guangzhou subtotal		1,805,715	425,742	1,336,990	1,122,008	915,350	30,879	175,779	468,725	346,490	96,527	–	–

Project	The Company's attributable interest in the projects	Total GFA	Future Total GFA Saleable	Completed: GFA completed	Completed: Total GFA saleable/ rentable	Completed: Of which sold and delivered	Completed: Of which sold but not yet delivered	Completed: Of which not pre-sold/ held for investment	Under development: GFA under development	Under development: Total GFA saleable/ rentable	Under development: Of which sold	Future development: GFA	Future development: Total GFA saleable/ rentable
Changjiahui	50%	1,934,283	1,031,858	720,572	691,643	442,518	7,053	242,072	316,736	314,736	113,477	896,975	588,527
Evian River Bay	100%	540,430	380,347	165,473	155,297	110,156	6,441	38,700	292,542	290,089	30,602	82,415	82,160
Central Avenue	50%	1,596,881	1,035,366	448,980	424,528	346,881	1,677	75,970	480,064	471,930	138,235	667,837	625,701
Jin Xing Hui Xiao Qu	100%	97,594	16,266	97,594	95,440	78,184	990	16,266	–	–	–	–	–
Yongjingcheng	100%	519,682	497,093	–	–	–	–	–	208,426	198,940	1,193	311,256	299,346
Yundi Xiao Qu	100%	135,756	131,696	–	–	–	–	–	135,756	131,696	–	–	–
Chongqing subtotal		4,824,626	3,092,626	1,432,619	1,366,908	977,739	16,161	373,008	1,433,524	1,407,391	283,507	1,958,483	1,595,734
Zijinshan No.1	51%	213,870	47,507	213,870	145,376	97,781	88	47,507	–	–	–	–	–
China Merchants International E City	70%	372,916	123,161	372,916	324,538	190,318	11,059	123,161	–	–	–	–	–
Evian Huafu	51%	357,814	104,788	317,709	238,373	141,400	17,347	79,626	40,105	38,783	13,621	–	–
The Orchid Ravine	51%	345,296	11,190	345,296	273,175	260,528	1,457	11,190	–	–	–	–	–
Century Taoyuan	18%	221,743	67,317	–	–	–	–	–	221,743	171,247	103,930	–	–
Dongwangfu	51%	318,279	192,730	–	–	–	–	–	318,279	230,046	37,316	–	–
Yongningfu	51%	353,004	265,149	–	–	–	–	–	353,004	265,149	–	–	–
Nanjing subtotal		2,182,922	811,842	1,249,791	981,462	690,027	29,951	261,484	933,131	705,225	154,867	–	–
Evian Qujiang	100%	538,534	73,251	240,044	239,143	221,035	377	17,731	298,490	270,485	214,965	–	–
Yongjing Wan	100%	135,258	129,865	–	–	–	–	–	135,258	129,865	–	–	–
Xi'an subtotal		673,792	203,116	240,044	239,143	221,035	377	17,731	433,748	400,350	214,965	–	–
Total		12,996,421	5,867,015	6,615,645	5,863,808	4,518,080	201,641	1,144,087	4,057,715	3,584,610	800,080	2,323,061	1,938,398

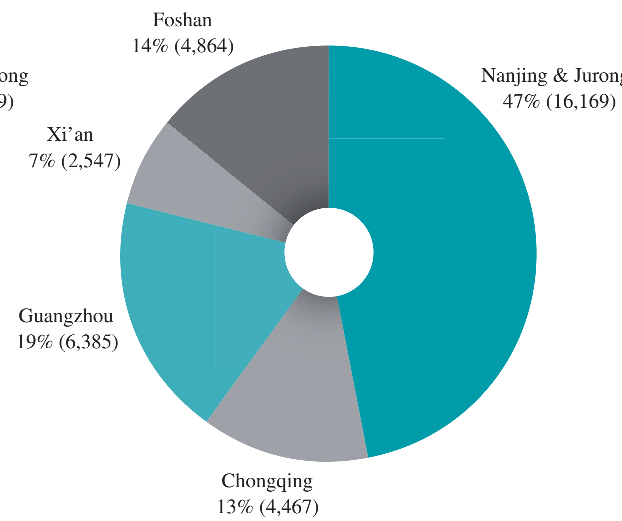
Contracted sales

For the year of 2018, the Group, together with its associated companies and joint venture companies, recorded contracted sales amount of approximately RMB34,431,766,000 in aggregate from five cities and the contracted sales area in aggregate was approximately 1,741,931 sq.m..

2018 contracted sales in area by region (sq.m.)



2018 contracted sales amount by region (RMB million)



Newly Acquired Land Bank

The newly acquired lands over which the Group has a majority control as at 31 December 2018 are as follows:

Projects	**Total consideration** *(RMB million)*	**Total site area** *(sq.m.)*	**Total permissible area** *(sq.m.)*	**Average land premium** *(RMB/sq.m.)*
Foshan China Merchants Anzhitinglan	948	39,036	108,665	8,724
Chongqing Yongjingcheng	2,310	182,789	365,577	6,319
Chongqing Guanyin Bridge	290	10,956	32,868	8,823
Nanjing Yongningfu	3,350	107,820	238,588	14,041
Xi'an Yongjing Wan	630	45,890	100,957	6,240

Foshan

In 2018, contracted sales amount in Foshan was approximately RMB4,864 million and contracted sales area was 367,382 sq.m. As at 31 December 2018, total GFA of the Group's projects in Foshan reached 3,509,366 sq.m. and the saleable GFA in the future with amount to 1,333,689 sq.m.

In 2018, sales of the Group's projects in Foshan mainly comprised of China Merchants Zhenyuan and China Merchants Xi'an:

– China Merchants Zhenyuan is located at the Economic and Technology Development Area in Zengcheng, Guangzhou, which is in the centre part of Guangzhou, Dongguan and Shenzhen. Such area will be constructed as a 100-billion level electronic information and automobile industry area. Currently, 90 key projects, such as Foxconn, Alibaba and CATARC, has already been introduced to such area and their forecasted output value will exceed RMB200 billion. Such area is also in the proximity of various top commercial facilities such as Wanda Plaza, AEON MALL and International Traffic Center. Such project is near the TOD traffic hub at Xindong Station in Guangzhou and surrounded by metro lines and city railway with direct access to Zhujiang New Town, CFCITY, Pazhou and two airports in Guangzhou and Shenzhen. China Merchants Zhenyuan is the first "inheritable" luxury products constructed by Guangzhou CMSK.

– Located in the northern part of Shunde, Foshan China Merchants Xi'an is situated at the bridgehead of the border of Guangzhou-Foshan and enjoys the 110 sq.m.-landscape area along Binjiang Hua'an (濱江花岸) in Chencun. The region where the project is located enjoys a comprehensive "6 vertical and 4 horizontal" transportation network, including main arteries in Guangzhou-Foshan like Fochen Road, Foshan 1st Ring, Guangming Expressway and Guangzhou-Zhuhai West Expressway. It only takes 30 minutes' drive to popular areas ranging from the Changui Center of Foshan to Panyu, Guangzhou and central Guangzhou. At the same time, benefitting from urbanization of the northern part of Shunde, Foshan Metro Line 2, Line 3, the western extension of Guangzhou Metro Line 7 and Guangzhou-Foshan Circle Line are under construction in Chencun district, which seamlessly connect the Guangzhou-Foshan living circle. The project occupied a site area of approximately 69,000 sq.m. with a gross floor area of approximately 230,000 sq.m., of which the first batch of products target at 80-110 sq.m. three-/four-room affordable luxury high-rise buildings. The project applies modern façade with innovative group-based layout, which establishes an approximate 60-metre space between buildings and maximizes the view of gardens. In the meantime, the project structures a distinctive phoenix-themed garden and is surrounded by scenery.

Guangzhou

In 2018, contracted sales amount in Guangzhou was approximately RMB6,385 million and contracted sales area was 252,025 sq.m., As at 31 December 2018, total GFA of the Group's projects in Guangzhou reached 1,805,715 sq.m. and the saleable GFA in the future will amount to 425,742 sq.m.

The Jinshan Valley Ecool, Guangzhou is a creative zone merging design, art, culture and living. It is adjacent to Hanxi Changlong station of Metro Line 3 and eight stations away from Tianhe. This area is surrounded by three arteries including Guangming Expressway, Xinguang Expressway and Shiguang Road, and only takes 30 minutes' drive to Zhujiang New Town CBD. The super flagship store of this project is IKEA's Guangzhou flagship store, which aims at constructing IKEA's business ecosystem composing of various types of operation, such as headquarters, cultural and creative bases as well as riverside offices. Currently, headquarters of powerful enterprises have been settled for official business, such as China Railway No. 1 Engineering, China Railway Electrification Engineering, BaoLun Electronics and BXHH Design Institute (寶賢華翰設計院). The ultimate single-block office buildings (phase 3) of the Jinshan Valley Ecool has now been sold worldwide with areas ranging from 1,000 sq.m. to 2,500 sq.m.. Customization services are provided according to the personalized needs of enterprises with standalone office towers with naming rights.

Chongqing

In 2018, contracted sales amount in Chongqing was approximately RMB4,647 million and contracted sales area was 342,988 sq.m.. As at 31 December 2018, total GFA of the Group's projects in Chongqing reached 4,824,626 sq.m. and the saleable GFA in the future will amount to 3,092,626 sq.m.

In 2018, sales of the Group's projects in Chongqing mainly comprised of Yongjingcheng:

– Chongqing China Merchants Yongjingcheng is located in the hot piece of the central axis of the northern district and only 31-meter away from Lianhua Station of Metro Line 3, which is CMSK's first "achievable" product in Konggang New City. Such project aims to construct an ideal, low-density and eco-friendly and healthy residential area through ingenious mansions which restore the sense of ritual of living by gardens in Yong's style. This project possesses with one ring, two railways and various arteries with great access to business circles, so as to enjoy convenient living style.

Nanjing and Jurong

In 2018, contracted sales amount in Nanjing and Jurong was approximately RMB16,169 million and contracted sales area was 540,739 sq.m.. As at 31 December 2018, total GFA of the Group's projects in Nanjing and Jurong reached 2,182,922 sq.m. and the saleable GFA in the future will amount to 811,842 sq.m.

In 2018, strong sales of the Group's projects in Nanjing and Jurong mainly comprised of Dongwangfu and Century Taoyuan:

– Nanjing Dongwangfu project is located in the core sector of Xianlin Qinglong Subway Town and situated at the interchange of Jiuxiang Hedong Road and Siwang Road, which is jointly developed by CMSK, a state-owned enterprise and Zhenro Properties. Qinglong Town benchmarks the planning of international first-tier cities and establishes the first TOD subway town in Nanjing. Dongliu Station of Metro Line 4 and Nanda Heyuan Station of Metro Line 4 has opened to traffic in proximity of the project and Metro Line 8, Metro Line 15 and Metro Line 18 are under planning. An integrated rail transit system with the radius of 300 m can cover numerous metro stations.

– Nanjing Century Taoyuan is located at South Rehe Road and situated from Jiangjiayuan Road in the east to South Rehe Road in the west, from Jiangjiayuan Road in the north to an existing residential community in the south. The gross site area is 68052.26 sq.m. and divided into four plots named plot A, B, C and D. Plot A, C and D is for commercial and residential use, of which the residential portion has been planned for terraces, mid-rise houses and villas and planned to construct 23 blocks with units ranging from 100 to 300 sq.m.; Plot B is for nursery and kindergarten uses which is mainly used as kindergarten and relevant ancillary facilities.

Xi'an

In 2018, contracted sales amount in Xi'an was approximately RMB2,547 million and contracted sales area was 238,797 sq.m., As at 31 December 2018, total GFA of the Group's projects in Xi'an reached 637,792 sq.m. and the saleable GFA in the future will amount to 203,116 sq.m..

Changningfu is situated at Changning New District which enjoys the reputation as an "urban balcony". Sitting at the bottom of Qinling, it faces Gaoxin to its north. Changningfu is close to Juehe Wetland Park with an area around 5,000 acres with fresh air throughout four seasons, it is where the royal family in Tang dynasty lives and its heritage and graciousness continue until modern times. Also, Chang'an International University is located inside Changningfu with 34 universities and 320,000 students. The three-dimensional transportation in the region is easily accessible and a half-hour urban transportation circle will be built which comprises of Ziwu Avenue, Three Rings and phase 2 of Metro Line 2 and Metro Line 7 which are under construction planning. Thanks to living ancillaries such as Changning Hospital, Tieyi Zhonghubin (鐵一中湖濱) and Chang An Paradise Walk, Changningfu is known as the "natural treasure in the heart of a city". Changningfu is hereby dedicated to all the affluent in this city.

Electronic Trading Business and Property Related Procurement Business

The Group will balance the synergies in property related procurement business and the main business in property development to determine the resources to be allocated to the trading procurement business.

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 31 December 2018, the net assets attributable to owners of the Company amounted to RMB8,117,893,000 (2017: RMB7,414,598,000).

In June 2015, the Company's direct wholly-owned subsidiary completed the issuance of the guaranteed convertible bonds due in June 2020 (credit enhanced until July 2018) in the aggregate principal amount of US$290,000,000 bearing coupon rate at 0.50% per annum ("Convertible Bonds"). In December 2013, the Group completed the issuance of five-year term credit enhanced bonds in the aggregate principal amount of US$500,000,000 bearing coupon rate of 4.021% per annum ("Bond"). The rates of the Convertible Bonds and the Bond, which are fixed and unchanged during their subsisting period, bear simple interest rather than compound interest and the interest are payable half-yearly. Both the Convertible Bonds and the Bond are listed on the Stock Exchange, since 24 June 2015 and 12 December 2013 respectively. The fund raised from the issuance of the Convertible Bonds and the Bond are for the purpose of general corporate use.

The Company redeemed part of the Convertible Bonds at the principal amount of US$269,800,000 on 23 June 2018 and all of the outstanding Convertible Bonds at the principal amount of US$20,200,000 on 27 September 2018. The Company has redeemed all of the Bonds at the principal amount of US$500,000,000 on 11 December 2018.

On 18 December 2018, the Company completed the issuance of senior bonds due 2021 in the aggregate principal amount of RMB1,900,000,000 bearing coupon rate of 4.6% per annum.

As at 31 December 2018, bank balances and cash was RMB6,866,261,000 (2017: RMB5,100,692,000). In terms of currency denomination, bank balances and cash can be divided into RMB6,505,603,000 in Renminbi, RMB272,648,000 in US$ and RMB88,010,000 in Hong Kong dollars.

As at 31 December 2018, total interest-bearing debt of the Group was RMB18,648,136,000 (2017: RMB15,233,460,000). In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bonds) can be divided into RMB5,792,515,000 repayable within one year, RMB2,350,543,000 repayable after one year but within two years and RMB10,505,078,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB17,954,919,000 in Renminbi and RMB693,217,000 in US$.

At 31 December 2018, the Group's net interest-bearing debt (total interest-bearing debt minus bank balances and cash) to equity ratio (including non-controlling interests) (the "net gearing ratio") was 50% (2017: 47%). Although the financial position of the Group is stable and the potential financing capacity is strong, the Group will continue to take the relatively stable financial policies and to control the net gearing ratio at the industry average level.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US$ and HK$. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities.

NON-COMPETITION DEED

To minimise actual and potential competition, the Group and CMPD entered into a non-competition deed on 19 June 2013 as amended and supplemented on 4 October 2013 (the "Non-Competition Deed"). On 30 December 2015, the Company, CMPD and CMSK[Note 1] had entered into a deed of amendment and novation ("Novation Deed") pursuant to which all the obligations, undertakings, interests and benefits of CMPD under the Non-Competition Deed were novated to and undertaken by CMSK in replacement of CMPD as if CMSK has been a party to the Non-Competition Deed in substitution of CMPD with effective from 30 December 2015. Other than that, all the other terms of the Non-Competition Deed shall remain unchanged[Note 2]. On 17 December 2018, the Group and CMSK entered into an amended and restated non-competition deed which supersede and replace in its entirety the Non-Competition Deed (the "Amended and Restated Non-Competition Deed"), the approval of the Company's independent shareholders of which has been obtained at the Company's extraordinary general meeting on 29 January 2019.

Pursuant to the Amended and Restated Non-Competition Deed, (i) CMSK and its subsidiaries (excluding the Group) ("CMSK Group") will not compete with the Group in the cities of Foshan, Guangzhou, Nanjing, and Jurong (the "Four CML Cities") except for certain operation transitional assets ("Operation Transitional Assets") located in Foshan which would be retained by CMSK Group but managed by the Group under certain operation agreement entered into between the Group and CMSK; (ii) with respect to Chongqing and Xi'an, the Company is considering to cease to conduct Property Business (other than participating in property-related investments on a minority basis across the PRC (the "Non-Controlling Investment Arrangement")) in and exit from such two cities in due course, depending on the results of an annual review process; (iii) CMSK Group will not compete with the Group in the cities of Chongqing and Xi'an unless the Group ceases to conduct Property Business (other than the Non-Controlling Investment Arrangement) in such city; (iv) the Group will not compete with CMSK in 46 other cities in the PRC ("CMSK Cities") except the Group will have the rights to participate in the Non-Controlling Investment Arrangement across the PRC (including the CMSK Cities); (v) the Group will also be entitled to conduct the Asset Management Business for office premises in Beijing and Shanghai exclusively, subject to the duly transfer of all equity interest of CMSK Group in Asset Management Business for office premises in Beijing and Shanghai to the Group (the "Proposed Transfer I"); and (vi) the Company will no longer have the perpetual right of first refusal to conduct Property Business (the "Right of First Refusal") for other cities in the PRC in which neither the Group nor the CMSK Group has an Property Business as at the date of the Non-Competition Deed ("Unoccupied Cities").

For details of the Non-Competition Deed and Operation Transitional Assets, please refer to the section headed "Relationship with the Controlling Shareholders" in the circular of the Company dated 10 October 2013. For details of the Amended and Restated Non-Competition Deed, the Four CML Cities, Property Business, Non-Controlling Investment Arrangement, the CMSK Cities, Asset Management Business, the Proposed Transfer I, the Right of First Refusal and the Unoccupied Cities, please refer to the circular of the Company dated 10 January 2019.

The independent board committee comprising all the independent non-executive Directors of the Company, had (i) reviewed the quarterly reports prepared by the Company's management containing latest information on the respective property projects portfolios of CMSK Group and the Group; (ii) carried out a review on the implementation of and compliance with the Amended and Restated Non-Competition Deed by CMSK Group and the Group (including the restrictions applicable to the Company under the Non-Controlling Investment Arrangement) during the year ended 31 December 2018; and (iii) confirmed that the terms of the Amended and Restated Non-Competition Deed had been complied with by CMSK Group and the Group during the year ended 31 December 2018.

The Group will gradually transform into an asset-light property operator, while continue to operate its traditional property development business in Foshan, Guangzhou, Nanjing, Jurong, Chongqing and Xi'an (subject to the Company's plan to exit from Chongqing and Xi'an). Upon the annual review of the portfolio of the Group's Property Business for the year ended 31 December 2018, taking into account the financial resources available to the Group at the relevant time and the relevant market conditions, the Group decides to continue its Property Business in Chongqing and Xi'an for the time being.

Notes:

1. According to the announcements published by CMSK and CMPD on the Shenzhen Stock Exchange, on 30 December 2015, CMSK and CMPD had completed the major asset restructuring and integration exercise pursuant to which, among other things, all assets, liabilities, businesses, employees, contracts and all others rights and obligations of CMPD have been taken up and assumed by CMSK in replacement of CMPD, CMPD was delisted from the Shenzhen Stock Exchange and the shares of CMSK became listed on the Shenzhen Stock Exchange, all with effect from 30 December 2015.

2. In the above paragraphs under the heading of "Non-competition Deed", for the avoidance of doubt, references to CMSK should be construed as referring to CMPD in the context of any time before 30 December 2015.

OUTLOOK AND PROSPECTS

Looking forward to the year of 2019, uncertainties such as the trade negotiation between China and the US, the US entering the economic cycle as well as the hard Brexit of the Britain will increase the downside risks to the global economy. In the meantime, the downside risks to the domestic economy have been increased correspondingly due to the effects of the global economy. The Central Economic Work Conference emphasized "stabilizing employment, finance, foreign trade, foreign investors, foreign investment and future" and followed the overall principle of seeking progress while ensuring stability. Meanwhile, we will uphold the new development concepts, promote high quality development, treat supply-side structural reform as the major direction and further market reforms. In relation to the property market, it is expected that the policies will continue to emphasize on stability. The regional governments will implement the principal responsibility and carry out city-specific policies, so as to establish a long-term mechanism for healthy market development.

The Group will continue to adhere to the principle of "sustaining intensive engagement and innovative development" by leveraging on the abundant inventory resources of CMG and CMSK and fully capitalizing on the advantages of overseas listing, so as to facilitate the diversified business development after corporate transformation as well as to explore the asset management market actively and grasp market investment opportunities.

EMPLOYEE REMUNERATION AND RELATIONS

The Group remunerates the employees by reference to their qualifications, experience, responsibilities, profitability of the Group and current market conditions.

As at 31 December 2018, the Group had 808 (2017: 726) employees in the PRC and Hong Kong.

The Group determines its staff remuneration based on various factors such as qualifications, years of experience, market conditions and performance of the individual employees. A share option scheme was adopted at the annual general meeting of the Company held on 27 September 2011 (the "2011 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. No grants under the 2011 Share Option Scheme were made during the year ended 31 December 2018.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounted to RMB4,172,353,000 as at 31 December 2018 (2017: RMB3,572,819,000).

PLEDGE OF ASSETS

As at 31 December 2018, land located in Chongqing, Foshan, Nanjing and Jurong with carrying values of approximately RMB4,549,627,000 (2017: RMB430,008,000) have been pledged to secure bank borrowings amounting to RMB1,216,586,000 (2017: RMB152,000,000) granted to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

In December 2013, the Company issued a five-year term credit enhanced bonds in an aggregate principal amount of US$500,000,000 bearing coupon rate of 4.021% per annum. The Company has redeemed all of the bonds at the principal amount of US$500,000,000 on 11 December 2018.

None of the Company's subsidiaries has redeemed any of the Company's listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year of 2018.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors and one non-executive director. Dr. Wong Wing Kuen, Albert, chairman of the Audit Committee, has the appropriate professional qualification and experience in financial matters as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). This committee is authorised by the Board and is responsible for reviewing the financial reports, internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee has reviewed the Group's consolidated financial statements for the year of 2018, including the internal controls, financial reporting matters, accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures above in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year of 2018 as set out in this preliminary results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2018, save that:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors and all the independent non-executive Directors do not have specific terms of appointment. However, all of them are subject to retirement by rotation and re-election at the annual general meeting according to the Company's articles of association.

Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Mr. XU Yongjun, Dr. YAN Chengda (who has resigned on 13 August 2018) and Ms. LIU Ning, the non-executive Directors and Dr. WONG Wing Kuen, Albert and Ms. CHEN Yanping, the independent non-executive Directors, did not attend the annual general meeting (the "AGM") of the Company held on 27 April 2018 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. XU Yongjun, the chairman of the Board, could not attend the AGM held on 27 April 2018 due to other business engagement. However, he had appointed Mr. HUANG Junlong, a non-executive Director as his alternate director who chaired the AGM and answered questions for shareholders of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by Directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting of the Company to be held on Wednesday, 24 April 2019 at 11:00 a.m., the register of members of the Company will be closed from 17 April 2019 to 24 April 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 16 April 2019.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year of 2018 containing all information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at ir.cmland.hk.

On behalf of the Board
China Merchants Land Limited
XU Yongjun
Chairman

Hong Kong, 15 March 2019

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.